SPECIAL
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AUGUST 10, 1992

FORTUNE

CHILDREN IN CRISIS

The Struggle to Save America's Kids

13- and 14-year-olds in Albuquerque

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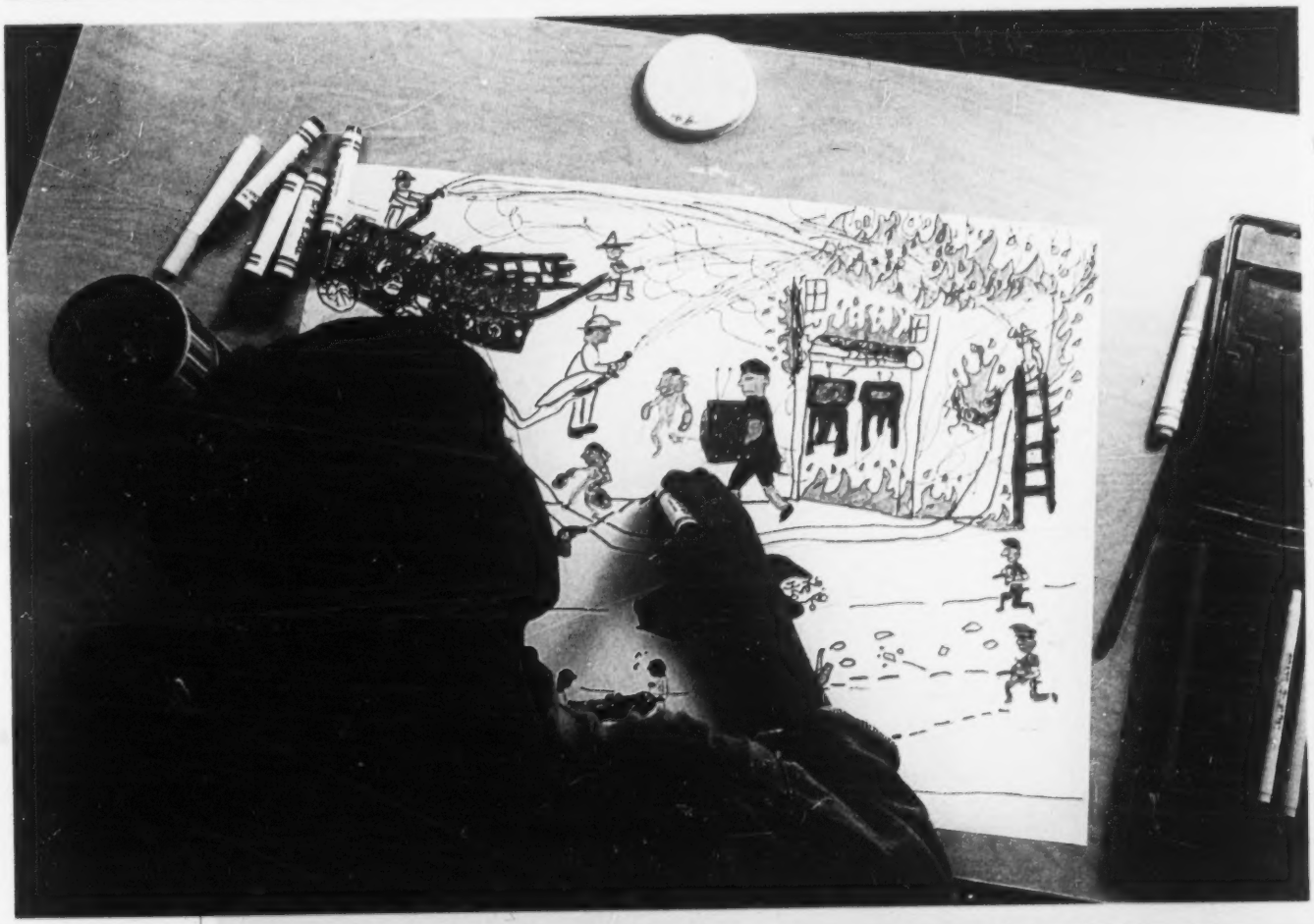

ABOVE: An L.A. student provides a graphic commentary on the May riots. Photo by Alon Reininger (Contact).

COVER: FORTUNE went to the source on growing up today. Photo by David Strick (Onyx).

CHILDREN IN CRISIS/SPECIAL REPORT

STRUGGLING TO SAVE OUR KIDS 34

A good public education, safe streets, and family dinners seem like quaint memories of the distant past. Playground fights that used to end in bloody noses now end in death. The welfare of our children is at such risk that FORTUNE decided to devote this issue to how we can come to grips with the hazards of growing up in the Nineties. Corporate America's stake is clear: The well-being of kids is a competitiveness issue—and their future is ours as well. *by Louis S. Richman*

THE FAMILY

THE AMERICAN FAMILY, 1992 42

Everyone knows how vastly it has been transformed, but we are just learning how profoundly disturbing the implications are for kids—and for American society. The epidemic of divorce, remarriage, redivorce, illegitimacy, plus new strains within intact families has precipitated a revolution in the inner lives of our children. It affects companies through their workers, and some employers are wisely responding. Here's what we can do. *by Myron Magnet*

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EDITOR'S DESK

THE DIFFICULTIES IN GROWING UP

On a playground in New York City, assistant managing editor Morrison faces America's future.

THIS IS A MOST UNUSUAL, and we think valuable, issue of FORTUNE. Except for our regular departments, it is entirely devoted to one topic: the state of America's children. It is a subject of vital interest to us all—as managers and business people, as parents, as Americans. Much has been written about the problems of poor and minority youngsters in our inner cities, but they are not the only kids in crisis. At all income levels and in all ethnic groups, children today face a combination of stresses and dangers—and opportunities—unlike those confronted by any other generation.

Putting this issue together was assistant managing editor Ann Morrison, herself the (hard) working mother of two teenagers, Tim and Mat. Morrison says, "FORTUNE has distinguished itself for its coverage of education and the involvement of business in education. But schools alone cannot address all the problems of kids. In this issue we wanted to look at the rest of a child's life—and that look is very troubling."

Evidence of physical and emotional impoverishment is everywhere. Some 13 million youngsters—20% of the total—live in poverty. For boys, violent death is the second-leading cause of death, after auto accidents. More than four out of ten girls will become pregnant at least once in their teens.

In the heat of a presidential campaign, the crisis of America's children may well be reduced to sloganeering and finger pointing—not of much use beyond November. More is needed, in part because the problems facing America's children are a key business issue too. These are our children, our co-workers' children, our future colleagues and customers. America's competitiveness depends on their skill, their well-being, their spirit, and their minds. FORTUNE's readers want to know what works. You'll find plenty of stirring examples here of people who make a productive difference in the lives of our children.

Marshall Loeb

MANAGING EDITOR

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After the convention hoopla, a Clinton aide warns: "We need a strategy aimed at the forgotten middle class."

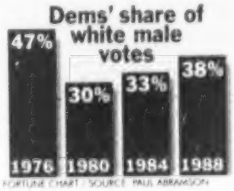
WHY BILL CLINTON NEEDS THE 'BURBS

■ Like Michael Dukakis in 1988, Bill Clinton surely got a hearty bounce from his surprisingly unacrimonious New York City convention. But no one in the Clinton camp is taking his lead in the polls for granted, particularly with Ross Perot out. Says the nominee's chief strategist James Carville: "At this stage in a presidential race, you normally have 20% of the electorate at play. This time, over 60% are up for grabs. It's the most dynamic election in my memory. I'm scared all the time."

Clinton eyes . . .

. . . Perot's people.

And for good reason. The Democrats' share of white male voters is small (see chart), and the party fears that those who had flocked to Perot will go to the GOP in November. Says Al From, president of the Democratic Leadership Council and an architect of the Clinton strategy: "The notion that Democrats enjoy an enormous base is a fantasy. At best, African Americans and white liberals represent 27% of the electorate. That's not enough to win. We need a 51% strategy aimed at the forgotten middle class."



The party's strategy, a sound one, is to target the broad middle class, largely in the suburbs, where for the first time this year a majority of the electorate lives. The Democrats hope to portray Clinton as the only reasonable agent of change, their watchword in the '92 campaign.

Hence the choice of fellow middle-of-the-roader Senator Al Gore as Veep, an uncharacteristically moderate party platform, and a convention that highlighted pro-choice women candidates in what could turn out to be the year of the woman voter. Maybe ever more important, Clintonites want voters to see him as a seasoned leader dedicated to economic growth.

But Clinton's economic program, while innovative in some areas, includes little to slow the overall growth of federal spending or substantially reduce the deficit. Bush strategists could capitalize on this, painting Clinton as another tax-and-spend liberal. Expect more bimbo baiting too. **– Ann Reilly Dowd**

NEW U.S. EXPORT TO JAPAN: BABIES

■ One possible, if perhaps slightly distasteful, way to reduce the U.S. trade deficit with Japan: Sell them babies fathered by Japanese and gestated in American wombs.

New York City's **Infertility Center**, which finds surrogate mothers for infertile couples, has expanded overseas and is now doing business with Japanese couples. Infertility carries a big cultural stigma among the Japanese, adoption is frowned upon, and clinics are banned from providing surrogate mothers. So now the center is seeking Asian American women for artificial insemination by Japanese men.

Says Noel Keane, the center's founder and president, of the mothers: "They don't have to be Japanese American. We're only looking for the Asian quality, particularly the eyes." Accordingly, Keane has placed advertisements in Korean-language newspapers in the U.S. The woman's fee: between $10,000 and $25,000.

The clinic has lined up surrogate mothers for half a dozen Japanese customers, and one baby has already been delivered. Fifteen more Japanese couples are on a waiting list.

How would half-Korean children make out in a society

Keane says that surrogate babies like this help him make lifelong friends.

ECONOMIC INTELLIGENCE

WHAT'S WRONG WITH WORKERS

■ American competitiveness is ailing because workers can't spell, do long division, or tell you who Sophocles was, right? Not necessarily, argues Peter Cappelli, an associate professor at the Wharton Business School. He has been studying the matter closely since 1988, when he was on a Labor Department commission that examined work force quality. Cappelli says the underlying trouble is really in poor employee *attitudes*, or what he calls a lack of "work maturity"—that is, conscientiousness, ability to function without close supervision, respect for others, and a positive view of authority.

"Executives at the companies we studied weren't bitching about skills," he says. "They said, 'We'll train workers if the schools can produce them with the right attitudes.'" Indeed, he adds, good grades in school are a poor predictor of job success. AT&T, renowned for sophisticated hiring techniques, has found extracurricular activity a better gauge.

So just what does a good work attitude look like? You see it when a plant employee, say, fixes or reports broken equipment even though it might not be her specific job to do so. Says Cappelli: "You could say that, in part, it's what you do when nobody's looking."

There's no easy solution, says Cappelli, especially now with cutbacks in the armed forces—which he calls "one of the greatest attitude adjustment devices around." (For more on teaching kids about work, see our Special Report.) While a company can create a culture that fosters responsible work attitudes, "by then it might be too late—we must start earlier." Cappelli just finished teaching the first year of a new work-attitude curriculum for MBA students at Wharton that he helped create, which includes classes in teamwork, managing work and family, and leadership skills. Even that's a bit late. Says he: "It's easier to teach a sixth-grader about teamwork than it is to teach a college-educated MBA student who has had individualism stressed by years of protracted schooling." – **Andrew Erdman**

INTERNATIONAL MISERY INDEXES

	1982	1987	1992*
Japan	8.0	-1.1	0.3
Germany	12.8	4.2	12.7
U.S.	19.6	15.8	13.2
France	25.0	16.3	15.6
Canada	26.9	19.1	19.1
Britain	19.7	16.7	19.6
Italy	38.4	27.9	27.5

*est

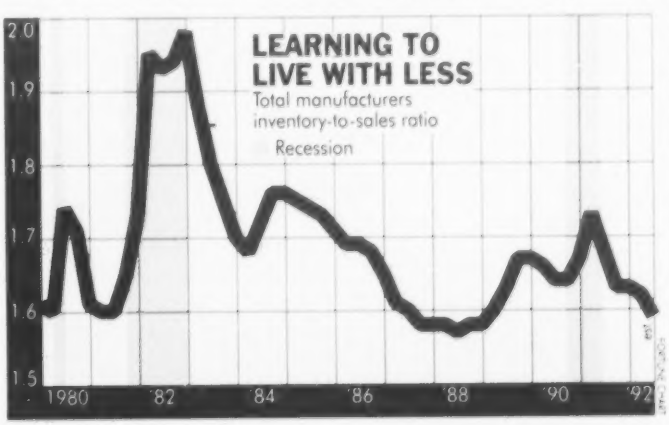
■ Miserable as the U.S. economy may be, Brown Brothers Harriman economist Lawrence Viet's comparison suggests it's not bad vs. others. The indexes include inflation, unemployment, and government and international deficits; the U.S. improvement comes mainly from trade gains.

TESTING TIME FOR LEAN INVENTORIES

■ As the saying goes, if you have too much inventory, you might get chewed out, but if you haven't enough, you might lose your job. Manufacturers take that gamble constantly, but the chips are piled a bit higher in recoveries—especially this lethargic one, when businesses want to be leaner than ever before yet can ill afford a lost sale. "Now we run with far lower inventories—it's scary as can be," says Kenneth Olsen, CEO of Digital Equipment. "And to think we worked so hard to get there."

The trend to leaner inventories picked up after the 1981-82 recession, driven both by cost considerations and by just-in-time production and management techniques. The ultimate goal of these is a smoothly knit system in which production follows demand instantly through the whole chain, virtually eliminating the need for inventory.

The new practices have been driving down—and smoothing out—the manufacturers' ratio of inventories to sales, which economists watch to tell whether goods are piling up. Since January the pace of inventory work-off has generally slowed, according to the National Association of Purchasing Managers, despite some sharp month-to-month swings. The inventory-to-sales ratio has fallen too, and based on recent surveys of the NAPM membership, Robert J. Bretz, who runs the survey committee when he's not directing corporate purchasing at Pitney Bowes, expects it to decline throughout the remainder of 1992.



So far, so good. Trouble is, many companies are still new players in this high-precision game. "Even given a four-day window, some suppliers can't deliver on time," says Ken Newton, corporate procurement director for Hewlett-Packard. Such delays could mean big problems for companies if gaps in the pipeline create shortages or force them to overstock to prevent those shortages. Joseph Tomaselli, executive vice president of merchandising for retailer Mervyn's, has already suffered from such shortfalls. Says he: "None of us were brought up this way, and we've got to learn as we go along." – **John Labate**